



April 18, 2014

The Honorable Jacob Lew  
U.S. Department of Treasury  
1500 Pennsylvania Ave., N.W.  
Washington, DC 20220

Dear Secretary Lew:

The Association of Institutional INVESTORS (the “Association”) appreciates the Financial Stability Oversight Council’s (“FSOC”) recent announcement that it will host a conference on May 19, 2014, on the asset management industry and its activities. The Association fully supports FSOC’s goal to engage fully and transparently with industry experts and the public as it seeks to better understand the role of the asset management industry in the U.S. financial system and its relationship to the U.S. economy.

As an Association consisting of some of the oldest, largest, and most trusted institutional investment advisers, we welcome a robust and comprehensive analysis of the asset management industry, including those it serves. We believe that to truly achieve such a goal, however, this conference should be the first of many such events that explore the wide range of business models, products, activities and investment approaches through which asset managers provide services to their equally diverse clients. These events should also explore the roles of investors, investment funds, asset owners and asset managers in the financial markets, their respective interactions with other market participants and economic functions, as well as the extensive regulatory regimes that already apply to individuals, entities and their activities in our industry and the capital markets more broadly.

Our member firms are all registered with the U.S. Securities and Exchange Commission (“SEC”). We operate globally and serve clients around the world. Our clients are primarily institutional investment entities that serve the interests of individual investors through public and private pension plans, foundations, and registered investment companies. Collectively, our member firms provide advisory services to more than 80,000 pension plans, mutual funds, and similar investment entities on behalf of more than 100 million workers and retirees. Our clients rely on us to prudently manage participants’ retirements, savings, and investments. This reliance is built, in part, upon the fiduciary duty owed to these organizations and individuals.

The Association applauds the FSOC for recognizing the limitations of the analyses that have been conducted to date on the asset management industry<sup>1</sup> and for pursuing additional information through a more transparent process to educate itself on this large and diverse industry. To this end, the Association is invested in ensuring that any forthcoming discussions and analyses of the industry are as robust and complete as possible and are inclusive not only of industry, but of the myriad of other participants that are associated with the asset management industry, such as our clients and counterparties.

In this regard, we worry that one half-day conference that focuses mostly on risks that manifest very differently across our diverse industry and the capital markets will fail to sufficiently explore and adequately educate FSOC members of the nuances of the various components that comprise the industry. We also worry that the current lack of publicly disclosed information about the subjects that will be discussed, the moderators and panelists who will discuss those subjects or even the format of the forum will hamper the ability of participants and attendees to adequately prepare and have a productive exchange of ideas. Thus, we recommend that the conference be the first of a series of events that delve deeply into the different segments of the asset management industry.

The Association believes that only by better understanding the activities of investors, investment funds, their managers and other capital markets participants can FSOC begin to assess whether any traditional investment or other market risks rise to the level of systemic risk that the FSOC was created to address. If any such risks are identified, FSOC should give careful consideration to both the structure and substance of existing regulatory oversight in determining whether additional steps need to be taken and what form they should take. Designation was not designed and cannot be used effectively or efficiently to address market risk. It should only be considered, therefore, if there is a circumstance in which it would be demonstrably effective and superior to existing SEC, CTFC and other regulatory regimes.

The Association believes that a careful assessment of the consequences of designation – namely the application of bank regulations to a single entity that conducts its activities on an agency basis and not as a principal– demonstrates that designation is inappropriate for investment funds and their managers and would be ineffective in mitigating market risks. We also believe that the potential impacts to investors, issuers, counterparties, markets and the economy would be so great, that this process of evaluating whether systemic risks are created by the asset management industry and potential regulatory responses should be objective, rigorous and transparent at all times. Therefore, we encourage you to seek feedback and written comments from the industry during this stage of your evaluation.

As we have indicated earlier, we believe the FSOC should have an in-depth understanding of our businesses and the capital markets. To that end, this upcoming conference should be the first of many open and transparent dialogues. We encourage you to hold a series of discussions on well-defined topics, conducted in a question and answer format, which would provide participants, experts and other stakeholders the opportunity to provide thoughtful and insightful commentary on our industry. We believe that to fully understand our industry, FSOC should seek participation from not only the various types of asset managers but also from other

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<sup>1</sup> See, e.g., Office of Financial Research's report, "Asset Management and Financial Stability," September 2013.

capital market participants such as our clients, large fund investors, asset owners and our various counterparties. It is especially important to appreciate the true nature of our relationships with our clients, such as private and public institutional investors, and the roles that they play in making investment decisions, as the FSOC seeks to better understand our industry, the U.S. financial system and its relationship to the U.S. economy.

The Association continues to support the FSOC's efforts in this regard. We are, however, deeply concerned about the impact that misinformed policy decisions could have on investment funds, asset managers, our capital markets and the millions of Americans who invest in them to save for retirement, college and life events; and in doing so provide long-term financing that drives U.S. economic growth. We greatly appreciate the initial step of holding a public forum and encourage you to continue to keep the entire process open, objective, and transparent. The Association looks forward to working with you on this important issue. If you have any questions, please do not hesitate to contact me at [jgidman@loomissayles.com](mailto:jgidman@loomissayles.com) or (617) 748-1748.

On behalf of the Association of Institutional INVESTORS,

A handwritten signature in black ink, appearing to read "John R. Gidman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John R. Gidman

cc: Members of FSOC  
SEC Commissioners  
The Honorable Mary Miller  
Mr. Amias Gerety  
Mr. Patrick Pinschmidt  
Mr. John Lysohir  
Ms. Suzanne Elio